

**UNITED STATES INTERNATIONAL TRADE COMMISSION**

**COMMERCIAL AVAILABILITY OF APPAREL INPUTS (2003):  
EFFECT OF PROVIDING PREFERENTIAL TREATMENT TO APPAREL OF  
CERTAIN PRINTED, 100-PERCENT RAYON FABRIC**

Investigation No. 332-450-008

December 2003



# Commercial Availability of Apparel Inputs (2003): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries

## U.S. International Trade Commission Investigation No. 332-450-008

Products	Apparel of certain printed, 100-percent rayon fabric
Requesting Parties	Alarmex Holdings Group, Inc., New York, NY
Date of Commission Report: USTR Public	December 26, 2003 December 2003
Commission Contact	Laura V. Rodriguez (202-205-3499; lrodriguez@usitc.gov)

### NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR ON DECEMBER 26, 2003. ALL CONFIDENTIAL INFORMATION HAS BEEN REMOVED AND REPLACED WITH ASTERISKS (\*\*\*) .

### Summary of Findings

The Commission's analysis shows that granting duty-free and quota-free treatment to apparel made in eligible Caribbean Basin countries from the subject fabrics, regardless of the source of the fabrics, likely would have a negligible effect on the U.S. textile industry because there is no known domestic production of the fabrics, although at least one U.S. producer stated that it has the capability to make the fabrics. The proposed preferential treatment likely would have a negligible adverse effect on U.S. producers of apparel of the subject fabrics and their workers, but likely would benefit U.S. firms making similar apparel in eligible Caribbean Basin countries and their U.S.-based workers. U.S. consumers likely would benefit from any duty savings resulting from the proposed preferential treatment.

### Background

On January 28, 2003, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-450, *Commercial Availability of Apparel Inputs (2003): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) to provide advice regarding the probable economic effect of granting preferential treatment for apparel made from fabrics or yarns that are the subject of petitions filed by interested parties in 2003 with the Committee for the Implementation of Textile Agreements (CITA) under the "commercial availability" provisions of the African Growth and Opportunity Act (AGOA), the United States-Caribbean Basin Trade Partnership Act (CBTPA), and the Andean Trade Promotion and Drug Eradication Act (ATPDEA).<sup>1</sup>

The Commission's advice in this report concerns a petition received by CITA on November 13, 2003, alleging that certain rayon fabrics cannot be supplied by the domestic industry in commercial quantities in a timely manner and requesting that the President proclaim preferential treatment for apparel made in eligible CBTPA beneficiary countries from such fabrics, regardless of the source of the fabrics. The President is required to submit a report to the House Committee on Ways and Means and the Senate Committee on Finance that sets forth the action proposed to be implemented, the reasons for such action,

<sup>1</sup> For more information on the investigation, see the Commission's notice of investigation published in the *Federal Register* of February 4, 2003 (68 F.R. 5651) and the Commission's website at <http://www.usitc.gov/332s/shortsup/shortsupstat.htm>.

and the advice obtained from the Commission and the appropriate advisory committee within 60 days after a request is received from an interested party.<sup>2</sup>

### **Brief discussion of the product**

The rayon fabrics named in the petition are classified in subheading 5516.14.00 of the Harmonized Tariff Schedule of the United States (HTS), which provides for printed woven fabrics containing 85 percent or more by weight of artificial staple fibers. The subject fabrics are printed woven herringbone fabrics made wholly of open-end spun yarns of rayon staple fibers, an artificial fiber generally made of wood pulp. According to the petition, garments made of the fabrics have the look and feel of silk apparel, but are machine washable and more affordable to buy and maintain. The fabrics are used in fashion apparel, such as women's shirts, pants, and skirts, and men's shirts. The 2003 rates of duty on these garments, classified in HTS chapter 62 (apparel, not knitted or crocheted), range from 16.1 percent to 28.8 percent ad valorem.

The subject fabrics are made of 20 singles rayon yarn made on the open-end spinning system.<sup>3</sup> The fabrics are made in a herringbone weave and have a 100 x 64 construction.<sup>4</sup> According to the petition, the herringbone weave<sup>5</sup> gives dimension to the fabric that, when printed, allows for deep, dark, and bold colors and provides more depth to the pattern than can be found in other printed woven fabrics.

### **Brief discussion of affected U.S. industries, workers, and consumers**

The segments of the U.S. textile and apparel sector that may be affected by the proposed preferential treatment include producers of rayon fibers, yarns, fabrics, and apparel, and dyeing and finishing mills that print fabrics.<sup>6</sup>

The only U.S. producer of rayon staple fibers is Liberty Fibers Corp. (formerly Lenzing Fibers Corp.), Lowland, TN.<sup>7</sup> A representative of the firm stated that \*\*\*.<sup>8</sup>

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<sup>2</sup> In Executive Order No. 13191, the President delegated to CITA the authority to determine whether particular fabrics or yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner. The President authorized CITA and USTR to submit the required report to the Congress.

<sup>3</sup> The term "20 singles yarn" is a measure of yarn fineness and represents the number of 840-yard lengths in a pound of yarn (20) and the number of plies (single ply). Yarns are usually made of staple fibers or filaments. A filament is a long (e.g., as much as miles in length), thin strand of extruded material, and consists mainly of manmade fibers (artificial and synthetic). Staple fibers usually measure 1 inch to 4 inches in length and include natural fibers (e.g., cotton) and cut lengths of filament. To form yarn from staple fibers, the fibers are cleaned, aligned in a parallel manner, and then wound together (spun) so that the fibers adhere to each other.

<sup>4</sup> The fabric construction represents the number of warp ends (100) and filling picks (64) per inch. Warp yarns run lengthwise on the loom and in the fabric, while filling yarns run across the width of the loom and fabric.

<sup>5</sup> A herringbone fabric is made with a broken twill weave that creates a balanced, zigzag effect and that resembles the skeletal structure of a herring. See Marjory L. Joseph, *Introductory Textile Science*, 2d ed. (Holt, Rinehart and Winston, Inc., 1972), p. 386.

<sup>6</sup> In general, the manufacturing progression in the textile sector is: (1) fibers are made into yarns, (2) yarns are made into fabrics, (3) fabrics are cut into components, and (4) cut components are sewn into apparel and other finished articles.

<sup>7</sup> Effective on November 21, 2003, the Austrian-based Lenzing Group sold its residual share in Lenzing Fibers Corp. to the majority shareholder of the firm, a private equity group. See "The Lenzing Group Withdraws from US Minority Holding Lenzing Fibers Corporation," press release, Nov. 24, 2003, found at <http://www.lenzing.com> on Dec. 4, 2003.

<sup>8</sup> Except as noted, information in the paragraph is from Douglas Noble, Vice President, Sales and Marketing, Liberty Fibers Corp., telephone interview by Commission staff, Dec. 12, 2003.

The only known U.S. producer of open-end spun yarn wholly of rayon staple fibers is Carolina Mills, Inc., Maiden, NC. \*\*\*.<sup>9</sup> The firm stated that most U.S. fabric producers ceased production of woven rayon fabrics long ago because of intense competition from low-cost imports.<sup>10</sup>

There are three known U.S. producers of rayon fabrics, but none of them make the subject fabrics (printed woven fabrics wholly of open-end spun yarns of rayon staple fibers, in a herringbone weave). The producers are Milliken & Co., Spartanburg, SC; Schneider Mills, Inc., Taylorsville, NC; and New River Industries, Radford, VA. Milliken said it likely was the largest U.S. rayon spinner and weaver during 1987-94,<sup>11</sup> \*\*\*.<sup>12</sup> According to Milliken, spun rayon imports from Turkey rose significantly during 1993-95 and “overwhelmed the U.S. market and destroyed our cost competitiveness.”<sup>13</sup> \*\*\*<sup>14</sup> Milliken said it has the capability to make the subject fabrics in a greige or unfinished form (e.g., not printed), but it does not have the in-house capability to print the fabrics.<sup>15</sup> Schneider Mills said it makes woven greige fabrics \*\*\* at its facilities in Taylorsville and Forest City, NC; the firm said it does not make the rayon fabrics in a herringbone weave.<sup>16</sup> New River Industries stated that it makes woven greige fabrics of open-end spun rayon yarns \*\*\*.<sup>17</sup>

Commission staff contacted three U.S. firms whose officials stated that the firms currently print or have the technical capability to print fabrics of a kind named in the petition: Cranston Print Works, Cranston, RI; Symphony Fabrics, NY, NY; and Duro Industries, Fall River, MA. Cranston Print Works stated that it has the technical capacity to print the fabrics but it currently does not do so because much of this business moved offshore.<sup>18</sup> Symphony Fabrics stated that it prints very little rayon fabric; however, it stated that if U.S. fabric mills can produce the subject fabrics, that there are likely to be firms in the United States that can print the fabrics.<sup>19</sup> Duro Industries stated that it currently does not print the fabrics, but has the technical capability to print the fabric.<sup>20</sup>

Alarmex (the petitioner) stated that it can buy the subject fabrics from sources in Korea and China that offer fabrics in finished (e.g., printed) form. According to Alarmex, \*\*\*, the fabric suppliers in Korea and China can provide large quantities of printed herringbone fabric from a single source, thereby expediting the turnaround time from placement of fabric orders to delivery of the finished fabrics.<sup>21</sup> According to Alarmex, however, even if the subject fabrics were made domestically, it would have to contract with

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<sup>9</sup> A number of U.S. yarn spinners produce rayon blend yarns such as polyester-rayon yarns, but Carolina Mills is believed to be the only U.S. spinner of open-end spun yarns wholly of rayon staple fibers.

<sup>10</sup> Information in the paragraph is from Stephen Dobbins, President and Chief Executive Officer, Carolina Mills, Inc., telephone interview by Commission staff, Dec. 5, 2003.

<sup>11</sup> Ben F. Shoaf, President, Finished Apparel & Specialty Fabrics Division, Milliken & Co., written submission to CITA, Nov. 25, 2003.

<sup>12</sup> Wes Matthews, General Director of Manufacturing, Milliken & Co., telephone interview by Commission staff, Dec. 3, 2003.

<sup>13</sup> Ben F. Shoaf, President, Finished Apparel & Specialty Fabrics Division, Milliken & Co., written submission to CITA, Nov. 25, 2003.

<sup>14</sup> Wes Matthews, General Director of Manufacturing, Milliken & Co., telephone interview by Commission staff, Dec. 3, 2003.

<sup>15</sup> The U.S. textile industry includes dyeing and finishing mills that dye, print, and otherwise finish fabrics for other firms.

<sup>16</sup> George Shtohryn, Senior Vice President, Merchandising, Schneider Mills, Inc., telephone interview by Commission staff, Dec. 10, 2003.

<sup>17</sup> Rodney Whitley, Yarn Procurement, Planning, and Quality Control, New River Industries, telephone interview by Commission staff, Dec. 12, 2003.

<sup>18</sup> George W. Schuster, Chairman, President, and Chief Executive Officer, Cranston Print Works, voice-mail message, Dec. 10, 2003.

<sup>19</sup> Howard Ellis, Head of Development and Knits, Symphony Fabrics, telephone interview by Commission staff, Dec. 5, 2003.

<sup>20</sup> William Milowitz, Vice President, Sales and Marketing, Duro Industries, telephone interview by Commission staff, Dec. 8, 2003.

<sup>21</sup> Fran Feldman, Director, Global Sourcing, Alarmex Holdings Group, stated that the firm's typical turnaround time from placement of the fabric order [in China, to shipping the fabric to Guatemala for cutting and sewing, and receiving the finished apparel articles in the United States averages about 12 weeks]. Telephone interview by Commission staff, Dec. 3, 2003.

“commission printers” to print the fabrics, thereby complicating accountability for product quality and slowing down fabric delivery.<sup>22</sup>

Several industry sources indicated that printed herringbone fabrics made of lyocell, which like rayon is an artificial manmade fiber made of wood pulp cellulose, could be considered substitutable for the subject fabrics.<sup>23</sup> Lyocell, marketed under such brand-names as Tencel®, has many of the same desirable properties as rayon, including comfort, absorbency, and abrasion resistance. Like the rayon fabrics, lyocell fabrics have depth, are machine washable and colorfast, and are viewed as an attractive alternative to silk because of their soft drape and luxurious hand, which makes them particularly sought in women’s fashion garments and men’s shirts.<sup>24</sup> However, Alarmex stated that the cost of lyocell fabrics is much higher than that for fabrics made of open-end spun rayon yarn, making the lyocell fabrics too costly for use in apparel designed for the moderate income market. A representative of Alarmex estimated that the cost of printed lyocell fabrics would be at least \*\*\* per square yard, compared with \*\*\* per square yard for the subject fabrics from Korea and China.<sup>25</sup>

### **Views of interested parties**

No written statements were filed with the Commission.

### **Probable economic effect advice<sup>26</sup>**

The Commission’s analysis shows that granting duty-free and quota-free treatment to U.S. imports of apparel made in eligible CBTPA countries from the subject fabrics, regardless of the source of the fabrics, is likely to have a negligible effect on U.S. producers of yarns and fabrics and on printers of fabric, and their workers, because there currently is no known domestic production or printing of the subject fabrics.

The proposed preferential treatment likely would have a negligible adverse effect on U.S. producers of apparel of the subject fabrics and their workers, but likely would benefit U.S. firms making similar apparel in eligible CBTPA countries and their U.S.-based workers. The proposed preferential treatment is likely to spur demand for apparel made from the subject fabrics.

U.S. consumers of apparel made from the subject fabrics would likely benefit from the proposed preferential treatment because importers are likely to pass on some of the duty savings to retail consumers in today’s highly competitive retail apparel market. In addition, consumers may benefit from having access to a wider range of apparel articles made from the subject fabrics.

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<sup>22</sup> Fran Feldman, Director, Global Sourcing, Alarmex Holdings Group, telephone interview by Commission staff, Dec. 9, 2003.

<sup>23</sup> Ellen Flynn, Vice President, Tencel; Gail Strickler, President and Chief Executive Officer, Saxton Textiles, and Vince Trotta, Senior Vice President, Marketing, Dan River, Inc., telephone interviews by Commission staff, Dec. 4, 2003. Vince Trotta stated that lyocell herringbone fabric is not printed in the United States.

<sup>24</sup> Rose Marie Tondl, “Tencel Lyocell, the New Generic Fiber, *NebFacts*, found at <http://www.ianr.unl.edu/pub/textiles/nf350.htm>, and Joyce Ann Smith, “Lyocell-One Fiber, Many Faces,” *Ohio State University Extension Fact Sheet - Consumer and Textile Sciences*, found at <http://ohioline.osu.edu/hyg-fact/5000/5572.html>, retrieved Dec. 12, 2003, and telephone interviews by Commission staff on Dec. 4, 2003, with Gail Strickler, Saxton Textiles; Ellen Flynn, Vice President, Marketing, Tencel; and Vince Trotta, Senior Vice President, Marketing, Dan River, Inc.

<sup>25</sup> Fran Feldman, Director, Global Sourcing, Alarmex Holdings Group, telephone interview by Commission staff, Dec. 9, 2003.

<sup>26</sup> The Commission’s advice is based on information currently available to the Commission.